# Case Turns

## 1NC

### General Poverty

#### Living wages fail to decrease poverty- mult warrants

#### GALLES 02 [Gary Galles, professor of economics at Pepperdine University,“The Living Wage Myth”, Published by Mises Institute, March 27, 2002, DDA]

The heat under the "living wage" debate has been turned up a notch. The Public Policy Institute of California has just published an extensive study by Michigan State economist David Neumark, the main conclusion of which is that, despite causing increased unemployment among the lowest-wage workers, "living wage laws raise the wages of low-wage workers." It has been seized upon by proponents as a "proof text" against critics. The success claimed for such policies by that study, however, is, in fact, far less than implied by the innumerable "Living Wage Laws Reduce Poverty" stories it has spawned. The study concludes that a living wage one and a half times the minimum wage would raise the average wages of the lowest tenth of income earners by 3.5 percent. That is, it would increase total earnings for the group and, as a result, slightly decrease the likelihood of families having an income below the poverty line. That is hardly a ringing success. After all, it simply means that the unintended consequences of living wage laws, such as increased unemployment of low-wage workers, are not so large that they totally undermine the intent of the policy, so that there are actually some gains, on average, to low-income earners. If a policy designed to help low-wage workers actually hurt them, on average, that would certainly be a failure. In fact, that is what Professor Neumark's research indicates occurs by raising the minimum wage--it actually increases the chances of a family being below the poverty line (though groups touting Neumark's living wage results, which also push for higher minimum wages in the name of helping the poor, have not abandoned that campaign as a result). But to achieve any good at all for the intended beneficiaries, on average, is surely too low a standard to call a program a success. Neumark's conclusion that the average low-income workers gain from living wage laws does not establish that they meet the tests of either efficiency or equity, reflected in the fact that he does not endorse such laws as a result of his study. His finding of significantly decreased employment with higher average wages means that living wage laws harm many of the poorest workers we are trying to help. And we cannot assume away these inequitable results among the poor simply because the winners gain more in total income than the losers lose; the harm does not disappear because one's gains somehow cancel out another's losses, as is implied when the focus is solely on the "average" effect. In addition, living wage laws are poorly targeted to help low-income families. They only apply to a small fraction of the low-wage labor force (for which Neumark has said he "can imagine no rationale," if the point is to help low-income families generally). Further, they are paid whether the workers support families or not, and even when total income from multiple workers in the family already puts them well above the poverty line. Another virtually unreported problem with the study's headlined conclusion that living wages raise low-wage workers' incomes is that his results hold only for some types of living wage laws. The most common type (including those in Baltimore, Boston, Chicago, Denver, Milwaukee and San Francisco), which only apply to contractors supplying goods or services to the government in question but not to all those receiving substantial government assistance or to government employees, does not. As Neumark says, "the poverty reducing effect of living wage laws stems solely from business assistance laws...the estimated effect of contractor-only laws is small and insignificant." When the most common type of living wage law has no measurable positive effect on poverty, it cannot be justified as an anti-poverty tool.

Beyond even these issues, Neumark's study warns that "many important questions remain to be addressed before policy analysts should feel confident that they have a well-established set of findings on which to draw strong conclusions regarding living wages." These questions remain because the study only addressed the "first-order," or direct, effects of living wage laws, and ignored indirect effects which do not show up in income data but could more than offset the first-order effects in helping the poor.

Neumark's study ignores the increased municipal budgets from higher wages, which will force them to reduce services, many of which are provided to low-income families. Alternatively, it will require higher taxes, including those borne by the poor. To the extent living wage laws apply to nonprofits serving the poor, those organizations will also have to cut back on the services they provide the poor. And to the extent that suppliers' higher costs get passed on in higher prices to users beyond the government, the poor are also harmed (particularly because they spend a larger fraction of their income on consumption purchases than higher-income families).

While living wage laws cannot be justified as reducing poverty, Neumark found that they did significantly boost the wages of unionized municipal workers. And in a significant understatement, he wrote, "Because contractor-only living wage laws do not appear to be associated with benefits to low-wage workers or low income families, evidence that these types of living wages benefit unionized city workers would tend to cast living wage laws limited to restrictions on wages paid by city contractors in a negative light."

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#### Minimum wage increases lead to a net increase of families below the poverty line—best statistical models prove.

#### NEUMARK et al. 05 [David Neumark (Ph.D. in Economics from Harvard, Senior Fellow, Public Policy Institute of California; Professor of Economics, Michigan State University; and Research Associate), Mark Schweitzer (Ph.D. from UCLA in economics, senior vice president and the director of research at the Federal Reserve Bank of Cleveland. He leads the Bank's Research Department, setting the direction for economic research, selecting and developing staff, and briefing the Bank president prior to meetings of the Federal Open Market Committee of the Federal Reserve System.) and William Wascher (Ph.D. in Economics from the University of Pennsylvania, Economist on the Board of Governers of the Federal Reserve System since 1983) “The Effects of Minimum Wages on the Distribution of Family Incomes”, Source: The Journal of Human Resources, Vol. 40, No. 4 (Autumn, 2005), pp. 867-894, Published by: University of Wisconsin Press, Autumn 2005, DDA]

The total effect of minimum-wage increases, shown in the bottom righthand panel, is the sum of the contemporaneous and lagged effects. The estimated effect at each particular point of the income-to-needs distribution is given by the middle curve, while the upper and lower curves are the tails of the 95 percent confidence interval, calculated using a bootstrap procedure for the nonparametric estimation.9 The result is quite striking. There is essentially no net change in the proportion of families with income-to-needs below 0.3, as the benefit associated with the contemporaneous increase is offset by the cost of the lagged increase. There is a marked increase in the proportion of families with income-to-needs between about 0.3 and 1.4, and a marked decrease in the proportion of families with income-to-needs between about 1.4 and 3.3. These results suggest that the overall net effect of minimum-wage increases is to push some families that are initially low-income but above the near-poverty line into poverty or near-poverty. In addition, the estimated increases in the proportions of families with income-to-needs from about 0.6 to 1.2 are statistically significant. The first row of Table 2 provides some summary information about the changes in densities displayed in Figure 1. In particular, policymakers may be more interested in knowing, for example, whether minimum-wage increases lead to a statistically significant increase in the proportion of families below the poverty line than in the change in the proportion of families at a particular point of the income-to-needs distribution. Thus, the table reports the estimated changes (and corresponding standard errors from the bootstrap) for some of the more "meaningful" ranges of income-to- needs. As indicated in Column 1, an increase in the minimum wage has essentially no effect on the proportion of families with income-to-needs between 0 and 0.5. In contrast, as shown in Columns 2 and 3, minimum-wage hikes lead to an increase of 0.0079 in the proportion of families with income-to-needs between 0.5 and 1 and an increase of 0.0083 for the 0-1 category as a whole. The proportion of poor families in the sample is approximately 0.18, so that the change in the proportion poor corresponds to a 4.6 percent increase in the number of families with incomes below the poverty line. As indicated by the standard errors, the change in the proportion of families between 0 and 0.5 is not statistically significant, while the changes in the proportion between 0.5 and 1 and the proportion below one are statistically significant. As was apparent in Figure 1, Column 4 shows a sizable increase in the proportion of near-poor families (0.0046, or 3.6 percent) following minimum-wage changes, an estimate that is statistically significant at the 10 percent level. Column 5 aggregates over the preceding categories and shows that minimum-wage increases raise the proportion of poor or near-poor families by 0.013, an estimate that is again statistically significant. Columns 6-8 indicate that minimum-wage increases lead to declines in the proportion of families with income-to-needs in the 1.5-2 or 2-3 category of 0.0049 and 0.0071, respectively, while the overall decline in the proportion of families with income-to-needs between 1.5 and 3 is 0.012 (3.4 percent); the latter two estimates are statistically significant at the 5 percent level, and the first at the 10 percent level. To interpret the magnitudes in Table 2, the average minimum-wage increase in our sample is 43 cents, or about 10 percent. Thus, the elasticity of changes in the proportion poor or near-poor with respect to the minimum wage is approximately 0.41, and the elasticity of the proportion with income-to-needs in the 1.5-3 range is about -0.34."

#### Prefer my evidence over their solvency evidence:

#### a) these models compare before and after data rather than making guesses and use a nonparametric approach.

#### NEUMARK 2 [Ibid, DDA]

In this paper, we provide nonparametric density estimates of the effects of minimum wages on family incomes. Specifically, we use matched March CPS data on families to study how the distribution of family incomes relative to needs is affected by an increase in the minimum wage. In a nutshell, our empirical strategy is to compute difference-in-difference estimates of the effects of minimum wages on the family income-to-needs distribution, by comparing changes in this distribution over time in states in which minimum wages did and did not increase. This approach has some important advantages relative to existing work on the effects of minimum wages on the income distribution. First, most of the well-known papers on this topic, including Gramlich (1976), Johnson and Browning (1983), Burkhauserand Finegan (1989), and Horrigan and Mincy (1993), do not directly estimate the consequences of minimum-wage increases for family incomes, but rather makes use of simulations that are based on assumptions about employment effects and other relevant parameters. In contrast, we conduct an actual "before and after" analysis of the effects of minimum wages on family incomes. Second, the few papers that do use actual changes in family income to infer the effects of minimum wages focus on a specific parametric question that is an isolated part of the whole picture. For example, Addison and Blackburn (1999) estimate the effects of minimum wages on state poverty rates for relatively narrow n contrast, our nonparametric approach provides a full picture (literally) of the effects of minimum wages on the shape of the family income distribution and on changes in incomes of families at different points in the income distribution. For example, we can examine the extent to which minimum wages push families initially near-poor into poverty, or lift initially poor families out of poverty. Importantly, the nonparametric approach provides a far richer empirical description of the effects of minimum wages on family incomes than would a regression-based approach that arbitrarily specifies particular points of the distribution and asks whether the proportions of families above or below those points increase or decrease. On the other hand, as weexplain in detail in Section III, the nonparametricestimation comes at some cost, most notably the added complexities of recovering estimates of the combined effects of contemporaneous and lagged increases in minimum wages, and the inability to fully exploit continuous variation in the minimum wage. In our view, the advantages of the nonparametric approach outweigh the disadvantages. Regardless, it clearly provides complementary evidence to parametric approaches.The evidence on both the distributions of family income and of changes in incomes experienced by families in different parts of the distribution indicates that raising the minimum wage tends, if anything, to increase the proportions of families that are poor or near-poor and to reduce the proportion of families with incomes above the "near-poverty" line but below about three times the poverty line. This evidence implies that reductions in the proportions of families that are poor or near-poor should not be counted among the potential benefits of minimum wages.

#### b) my data looks at how increases in minimum wage actually impacted individual families by matching data to families in consecutive years and uses the best sample.

#### NEUMARK 3 [Ibid, DDA]

The data we use come primarily from matched March CPS annual demographic files from 1986 through 1995. Using matched data from the CPS provides an important advantage relative to an analysis of the annual CPS cross-sections. In particular, the availability of two consecutive years of data for each family allows us to observe their transitions between various parts of the income distribution. As a result, when we observe a change in the income-to-needs distribution, we can more comfortably conclude that this change reflects the actual experiences of families rather than differences in the set of families sampled in each year. Statistically, the homogeneity of the samples before and after the minimum-wage increase leads to more precise inferences. Our choice of sample period was influenced by three factors. First, our ability to match successive March files for consecutive years is limited to this ten-year time period. In particular, it is not possible to match CPS files from 1985 with those in 1986 because the two files are based on different Census sample designs; for similar reasons, it is also not possible to match the 1995 files with those in 1996. Second, for reasons discussed below, it is desirable to use a sample period with considerable state variation in minimum wages, and it was in the late 1980s that such variation first emerged. Third, changes in state welfare rules associated with the 1996 welfare reform legislation would confound estimation of minimum-wage effects if, as seems likely, these changes altered the labor market behavior of low-income families. By ending the sample in 1995 and focusing on the prereform period, we avoid this potential bias, although we obviously cannot decisively rule out contaminating influences of other state-level policy changes.3 For each family, we extracted information on family income, family size, and the family's state of residence.4 We take a reduced form approach that does not distinguish among families based, for example, on whether family size changed, someone retired, or there was any earned income. Instead, we treat the family as the unit of observation and infer the total effect of minimum-wage changes through any of these channels. However, the type of analysis we carry out here can be extended to study the mechanisms by which family incomes (relative to needs) are affected. In all cases, the income data refer to the previous calendar year; although the state of residence is contemporaneous, the matching process ensures that only families living at the same address in two consecutive years are included in the data. We follow other research in this area in looking at total family income from all sources. Given the family income data, each family is classified in terms of its income-to-needs ratio (the ratio of total family income to the poverty line for that family). The estimation is conducted for families with nonnegative incomes, up to a maximum income-to-needs ratio of six. Each family-year record is also assigned the minimum-wage level that prevailed in the state in May of the year for which family income is measured, as well as the minimum wage in the preceding year.5Because state minimum-wage laws do not exempt employers of workers covered by the federal law from the federal minimum wage, and because coverage by the federal law is nearly complete, we use the higher of the federal minimum wage and the state minimum wage for each state and year. Table 1 reports the effective minimum-wage rates for each state over our sample period. The first column reports the minimum wage prevailing in 1987, while the remaining columns report the new minimum wage following an increase. With the exception of Minnesota, Pennsylvania, and New Jersey, all of the state increases occurred in the New England and Pacific states. Also noteworthy, however, is that a high fraction of the minimum-wage increases in this sample period stemmed from changes in the federal law. Because increases in the federal minimum have often coin- cided with sharp increases in overall unemployment rates (for example, in 1991), we cannot treat minimum wages as randomly assigned, but instead must attempt to account for the relationship between minimum wages and the business cycle to draw causal inferences regarding the effects of minimum wages on family incomes. We also extracted the family-specific sampling weight, which we then adjusted to account for the possibility that certain types of families have a lower probability of being in the survey in consecutive years and thus are less likely to be included in our matched sample. In particular, although overall match rates were above 80 percent, families with younger heads and lower income-to-needs ratios were significantly less likely to be successfully matched. Using a logistic regression that included the age and race of the family head and the income-to-needs ratio as categorical variables, we estimated the probability of a successful match for each family, and divided the sampling weight for successfully matched families by this estimated match rate. The adjusted weight is an estimate of the inverse of the probability of being in our matched sample of families.

### Education

#### Living wages decrease incentives to stay in school.

#### BAIRD 02 [Charles W. Baird, Economist with a Ph.D from University of California, Berkeley, former Professor of economics for 34 years at California State University, East Bay (CSUEB), former director of the Smith Center for Private Enterprise Studies at CSUEB, member of the editorial boards of three academic journals and an adjunct scholar with the CATO institute, his specialty is the law and economics of labor relations, “The Living Wage Folly: How Living-Wage Ordinances Harm Workers and Taxpayers”, Published by the Foundation for Economic Education, June 1, 2002, DDA]

EPF researchers have pointed out a unique harm done by [living wage ordinances] LWOs. The high school drop-out rate of workers who earn between $5.15 and $8.15 per hour is double that of workers earning between $8.15 and $10.15 an hour. To the extent that an LWO results in increasing the number of high school dropouts receiving more than $8.15 per hour, the wrong message is sent to both groups. High school dropouts learn that in wage determination, politics trumps education and training, and the more productive learn that their training and education provide fewer advantages than before. The productivity of both groups will decline, and younger people still in school will have less of an incentive to stay there.

#### Root cause of income inequality is lack of access to higher education.

#### STANDARD AND POOR 14 [Standard & Poor’s Rating Services, Standard & Poor's Financial Services LLC is an American financial services company. It is a division of McGraw Hill Financial that publishes financial research and analysis on stocks and bonds. Across 26 offices around the world, we have 1,400+ analysts, managers and economists continually assessing the variables that affect creditworthiness. In frequent dialogue with senior managers and industry leaders, we examine everything from the state of an enterprise and its position in its industry, to the state of a region and the globe, “How Increasing Income Inequality Is Dampening U.S. Economic Growth, And Possible Ways To Change The Tide”, August 5, 2014, DDA]

Although the U.S. has been fairly quick to adapt in the past, today's workers have been left behind by technological change. Indeed, while recent advances now require many workers to have graduated from college, the supply of college-educated workers hasn't kept up with demand--and even the fraction of high school graduates has stopped climbing. This education gap is a main reason for the growing income divide, and it affects both wages and net worth. From a wage perspective, occupations that typically require postsecondary education generally paid much higher median wages ($57,770 in 2012)--more than double those occupations that typically require a high school diploma or less ($27,670 in 2012). Further, those with a bachelor's degree had a median net worth value nearly twice that of people with a high-school diploma in 1998--climbing to almost 3.5 times greater by 2010 (see chart 3) (23). This difference is even greater higher up the educational ladder.

### Unemployment

#### 70 years of historical analysis finds a consistent unemployment trend after minimum wage increase. Broad-based reviews are more accurate than case studies.

#### WILSON 12 [Mark Wilson, Mark Wilson is a former deputy assistant secretary of the U.S. Department of Labor. He currently heads Applied Economic Strategies, LLC, and has more than 25 years of experience researching labor force economic issues, “The Negative Effects of Minimum Wage Laws he Negative Effects of Minimum Wage Laws”, Policy Analysis No. 701, Published by the Cato Institute, DDA]

Despite the use of different models to understand the effects of minimum wages, all economists agree that businesses will make changes to adapt to the higher labor costs after a minimum wage increase. Empirical research seeks to determine what changes to variables such as employment and prices firms will make, and how large those changes will be. The higher costs will be passed on to someone in the long run; the only question is who. The important thing for policymakers to remember is that a decision to increase the minimum wage is not cost-free; someone has to pay for it. The main finding of economic theory and empirical research over the past 70 years is that minimum wage increases tend to reduce employment. The higher the minimum wage relative to competitive-market wage levels, the greater the employment loss that occurs. While minimum wages ostensibly aim to improve the economic well-being of the working poor, the disemployment effects of a minimum wages have been found to fall disproportionately on the least skilled and on the most disadvantaged individuals, including the disabled, youth, lower-skilled workers, immigrants, and ethnic minorities.16 Based on his studies, Nobel laureate economist Milton Friedman observed: “The real tragedy of minimum wage laws is that they are supported by well-meaning groups who want to reduce poverty. But the people who are hurt most by higher minimums are the most poverty stricken.”17 In a generally competitive labor market, employers bid for the most productive workers and the resulting wage distribution reflects the productivity of those workers. If the government imposes a minimum wage on the labor market, those workers whose productivity falls below the minimum wage will find few, if any, employment opportunities. The basic theory of competitive labor markets predicts that a minimum wage imposed above the market wage rate will reduce employment.18 Evidence of employment loss has been found since the earliest implementation of the minimum wage. The U.S. Department of Labor’s own assessment of the first 25-cent minimum wage in 1938 found that it resulted in job losses for 30,000 to 50,000 workers, or 10 to 13 percent of the 300,000 covered workers who previously earned below the new wage floor.19 It is important to note that the limited industries and occupations covered by the 1938 FLSA accounted for only about 20 percent of the 30 million private sector, nonfarm, nonsupervisory, production workers employed in 1938. And of the roughly 6 million workers potentially covered by the law, only about 5 percent earned an hourly rate below the new minimum.20 Following passage of the federal minimum wage in 1938, economists began to accumulate statistical evidence on the effects. Much of the research has indicated that increases in the minimum wage have adverse effects on the employment opportunities of low-skilled workers.21 And across the country, the greatest adverse impact will generally occur in the poorer and lower-wage regions. In those regions, more workers and businesses are affected by the mandated wage, and businesses have to take more dramatic steps to adjust to the higher costs. As an example, with the original 1938 imposition of the minimum wage, the lower-in- come U.S. territory of Puerto Rico was severely affected. An estimated 120,000 workers in Puerto Rico lost their jobs within the first year of implementation of the new 25-cent minimum wage, and the island’s unemployment rate soared to nearly 50 percent.22 Similar damaging effects were observed on American Samoa from minimum wage increases imposed between 2007 and 2009. Indeed, the effects were so pronounced on the island’s economy that President Obama signed into law a bill postponing the minimum wage increases scheduled for 2010 and 2011.23 Concern over the scheduled 2012 increase of $.50 compelled Governor Togiola Tulafono to testify before Congress: “We are watching our economy burn down. We know what to do to stop it. We need to bring the aggressive wage costs decreed by the Federal Government under control. . . . Our job market is being torched. Our businesses are being depressed. Our hope for growth has been driven away.”24 In 1977 ongoing debate about the minimum wage prompted Congress to create a Minimum Wage Study Commission to “help it resolve the many controversial issues that have surrounded the federal minimum wage and overtime requirement since their origin in the Fair Labor Standards Act of 1938.”25 The commission published its report in May 1981, calling it “the most exhaustive inquiry ever undertaken into the issues surrounding the Act since its inception.”26 The landmark report included a wide variety of studies by a virtual ‘‘who’s who’’ of labor economists working in the United States at the time.27 A review of the economic literature amassed by the Commission by Charles Brown, Curtis Gilroy, and Andrew Kohen found that the “time-series studies typically find that a 10 percent increase in the minimum wage reduces teenage employment by one to three percent.”28 This range subsequently came to be thought of as the consensus view of economists on the employment effects of the minimum wage. It is important to note that different academic studies on the minimum wage may examine different regions, industries, or types of workers. In each case, different effects may predominate. A federal minimum wage increase will impose a different impact on the fast-food restaurant industry than the defense contractor industry, and a different effect on lower-cost Alabama than higher-cost Manhattan. This is why scholarly reviews of many academic studies are important. In 2006 David Neumark and William Wascher published a comprehensive review of more than 100 minimum wage studies published since the 1990s.29 They found a wider range of estimates of the effects of the mini- mum wage on employment than the 1982 review by Brown, Gilroy, and Kohen. The 2006 review found that “although the wide range of estimates is striking, the oft-stated assertion that the new minimum wage research fails to support the traditional view that the minimum wage reduces the employment of low-wage workers is clearly incorrect. Indeed . . . the pre-ponderance of the evidence points to disemployment effects.”30 Nearly two-thirds of the studies reviewed by Neumark and Wascher found a relatively consistent indication of negative employment effects of minimum wages, while only eight gave a relatively consistent indication of positive employment effects. Moreover, 85 percent of the most credible studies point to negative employment effects, and the studies that focused on the least-skilled groups most likely to be adversely affected by minimum wages, the evidence for disemployment effects were especially strong. In contrast, there are very few, if any, studies that provide convincing evidence of positive employment effects of minimum wages. These few studies often use a monopsony model to explain these positive effects. But as noted, most economists think such positive effects are special cases and not generally applicable because few low-wage employers are big enough to face an upward-sloping labor sup-ply curve as the monopsony model assumes.31

#### Outweighs the increase in wages because the aff causes many workers to lose their jobs entirely which hurts those workers more than the remaining workers benefit from a few extra dollars on the hour.

#### And, even if some employees don’t get layed off, the employer will cut other forms of compensation to their workers following a minimum wage increase, leaving them worse off financially even if they receive higher nominal wages.

#### BAIRD 02 [Charles W. Baird, Economist with a Ph.D from University of California, Berkeley, former Professor of economics for 34 years at California State University, East Bay (CSUEB), former director of the Smith Center for Private Enterprise Studies at CSUEB, member of the editorial boards of three academic journals and an adjunct scholar with the CATO institute, his specialty is the law and economics of labor relations, “The Living Wage Folly: How Living-Wage Ordinances Harm Workers and Taxpayers”, Published by the Foundation for Economic Education, June 1, 2002, DDA]

Profit-seeking employers are willing to continue the employment of a worker only if the cost to the employer of the worker’s services is not greater than the amount of money the employer would lose from sales (net of the cost savings on materials and supplies no longer used) if [they lay off] he lays off the worker. So when increases of legal minimum wages are imposed in any form, including living wages, some workers will be let go. The ones that are always let go first are those who are the least productive. (The lost output and sales that follow on letting a worker go will not amount to much with a worker who isn’t very productive.) Not only will the least productive workers lose their jobs, every time a legal minimum-wage increases, young people just entering the labor force with little experience and training will find it more difficult to get first jobs. The surest route to becoming a productive worker for a person who has little training and education is on-the-job experience. All increases in legal minimum wages make it more difficult for the disadvantaged to follow that route. Sometimes profit-seeking entrepreneurs will try to avoid layoffs by cutting nonwage compensation paid to workers. For example, reductions in paid vacation time, employer contributions to retirement funds, employer-paid medical insurance, and rates of sick leave accrual can sometimes offset the effect of a higher legal minimum wage. If so, affected workers will keep their jobs, but they will not be any better off than they were before the minimum-wage increase. In fact, they will probably be worse off because more of their compensation will be taxable than before.

### Prices

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#### Increases in minimum wage cause spikes in prices for consumer goods that the poor need, such as food. These increases in prices offset the additional money that the poor make.

#### ALEC 14 [American Legislative Exchange Council, The American Legislative Exchange Council (ALEC) is a 501(c)(3) non-profit organization. It provides a constructive forum for state legislators and private sector leaders to discuss and exchange practical, state-level public policy issues. The potential solutions discussed at ALEC focus on free markets, limited government and constitutional division of powers between the federal and state governments. The organization respects diversity of thought; it is a non-partisan resource for its members, which include more than 2,000 Republican and Democratic state legislators. ALEC is a think-tank for state-based public policy issues and potential solutions. It publishes research and writing on issues that are of importance to its members. It holds meetings where people from public and private sectors share their views. It also develops model policies and resolutions on economic issues. These materials can be helpful resources for state legislators who have an interest in free markets, limited government and constitutional division of powers between the federal and state governments. ALEC does not lobby state legislatures. ALEC’s task forces cover a variety of economic issues, including job creation and growth, state tax issues and budget solvency, education and healthcare reforms, corrections and reentry programs, civil justice reforms, and sound energy and environmental solutions, “Raising the Minimum Wage: The Effects on Employment, Businesses and Consumers”, March 2014, DDA]

The costs of a minimum wage hike are often passed on to consumers in what economist Daniel Aaronson calls “price pass-through.” In a study of prices in the restaurant and fast food industry—an industry that heavily employs and serves low-wage earners—Aaronson, French and MacDonald found an increase in the minimum wage also increases the prices of food items.24 Using data from the Consumer Price Index (CPI) from 1995 to 1997, the economists examined 7,500 food items (usually a complete meal) from 1,000 different establishments in 88 different geographic areas. They found the increase in menu prices affected limited service restaurants the hardest. These are restaurants where most diners pay at the counter and take their food home with them. These restaurants are also more likely to employ low-wage workers and thus more likely to have their business costs rise as a result of a minimum wage increase. The study found that in these instances, almost 100 percent of the increase in labor costs is passed on to consumers in the form of higher prices.25 These results are consistent with most of the economic literature on the subject. Sara Lemos of the Institute for the Study of Labor (IZA) looked at more than 20 papers on the subject and found that most studies predicted a 10 percent increase in the minimum wage would result in a 4 percent increase in food prices and a 0.4 percent increase in prices overall.26 Unfortunately, the businesses hit hardest by an increase to the minimum wage are not only the types of places where low-income people are employed, but also businesses frequented by low-income consumers. Food prices are of particular importance to people living near or below the poverty line as they tend to spend a greater percentage of their family budget on food. The low-wage employees who experience an increase to their wages due to a minimum wage increase will have the benefit of higher wages largely offset by higher prices. Additionally, non-minimum wage earners will face higher prices without the corresponding increase in wages. Thus, they will likely cut back spending to compensate. These cutbacks in spending may also result in substitutions toward cheaper, lower qual- ity goods. Daniel Aaronson and Eric French predicted a $25 billion drop in spending from those earning above minimum wage if the minimum wage was increased from $7.25 to $9.00 per hour.27 It is worth noting that overall they expect spending to rise in the short run (due to increased spending from minimum wage earners), but they also expect GDP to remain constant in the long run.

#### 2 Implications:

#### a) takes out their offense—increases in wages are offset by increases in prices so the aff does nothing to help the poor buy more basic goods

#### b) my offense outweighs on scope—they greatly harm non-minimum wage workers and minimum wage workers alike, but they only claim to help minimum wage workers.

## 2NR

### Education: AT- Unemployment increases school enrollment

#### Empirically denied.

#### SABIA 10 [Joseph J. Sabia, Assistant Professor of Economics at West Point and Professor of Economics at San Diego State University and researcher for the Employment Policies Institute. Dr. Sabia’s research on minimum wage policy has been cited in such media outlets as The New York Times, The Wall Street Journal, and USA Today. He has also testified before the U.S. Senate Finance Committee on this topic. Dr. Sabia is a member of the American Society of Health Economists, the American Economic Association, and the Association for Public Policy Analysis and Management. His work has appeared or is forthcoming in the Journal of Human Resources, Journal of Health Economics, Economic Inquiry, Southern Economic Journal, and the Journal of Policy Analysis and Management., “FAILED STIMULUS: ￼￼￼￼￼￼￼￼￼￼Minimum Wage Increases and Their Failure to Boost Gross Domestic Product”, Published by the Employment Policies Institute (The Employment Policies Institute (EPI) is a nonprofit research organization dedicated to studying public policy issues surrounding employment growth. EPI research has quantified the impact of new labor costs on job creation, explored the connection between entry-level employment and welfare reform, and analyzed the demographic distribution of mandated benefits. EPI sponsors nonpartisan research that is conducted by independent economists at major universities around the country), December 2010, DDA]

In this new study, Dr. Joseph J. Sabia (United States Military Academy at West Point) uses data from the Census Bureau and the Bureau of Economic Analysis to measure the Gross Domestic Product (GDP) and employment response associated with an increase in the minimum wage. Sabia shows that increases in the minimum wage can actually have a negative effect on GDP—specifically, GDP generated by lower-skilled industries. Sabia first examines whether increases in State and Federal minimum wages between 1997 and 2007 have decreased low-skilled employment (defined here as the employment- to-population ratio for 16-to-19 year-olds). Controlling for economic performance and other unmeasured state employment trends, Sabia finds that each 10 percent increase in a state’s minimum wage decreased employment for the group by 3.6 percent. And because these employment losses were not accompanied by an increase in school enrollment, they suggest that job loss caused by wage hikes is not offset by long-term productivity gains. After determining that increases in states minimum wages did decrease employment, Sabia looks at data on economic growth to determine whether job loss associated with a higher minimum wage has had a negative impact on GDP; he focuses specifically on GDP generated by those industries affected most by minimum wage increases. This includes low-skilled industries like wholesale trade, manufacturing of durables, warehousing and storage, rental and leasing services, and administrative and waste services. Sabia finds that each 10 percent increase in the minimum wage is associated with a two to four percent decline in state GDP generated by these lower-skilled industries. Broadening the analysis to examine national GDP, Sabia finds that increases in the minimum wage between 1997 and 2007 had a small, insignificant negative effect on the national economy overall. This means mandated wage in- creases are far from the economic “shot in the arm” advocates claim them to be. This research is relevant for two reasons. Each year, states across the country increase their minimum wages, or consider legislation to do so. Sabia’s findings suggest that these policies are unwise both in good and bad economic times, because of the negative employment consequences for states’ low-skilled workforce and the negative economic consequences for states’ low-skilled industries. Additionally, the research suggests that exuberant claims about the positive economic benefit of a minimum wage increase are not based on economic reality. Far from stimulating an economy, an increase in the minimum wage has no discernible impact on overall GDP and could actually hinder growth in certain low-wage sectors.